

# Co-development as a marketing strategy in the construction industry

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## Abstract

This paper deals with a specific issue in project marketing, namely project co-development, presented as a relational and cooperative form of exchange in the project network. It endeavours to find out under what conditions project co-development is considered as a viable marketing strategy as opposed to competitive bidding. A model is developed, which is then used to analyze two cases of project co-development in the construction industry. Of the two cases, one is a successful case and the other is a failure case. This enabled us to analyze factors and conditions that can lead to a successful co-development strategy. Factors such as, project complexity, conflicting objectives, lack of compatibility, lack of trust and commitment and lack of coherence between the budget and the objectives turned out to influence a co-development strategy. The role played by the key decision-makers (project manager) also influenced the success/failure of co-development strategy.

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## 1. Introduction

Marketing and selling projects is one of the dominating modes of international business (Günter & Bonnacorsi, 1996; Hadjikhani, 1996; Skaates & Tikkanen, 2003), however, it has long been neglected by the academic community. The researchers from the International Network for Project Marketing and Systems Selling (INPM) have attempted at filling this gap since last decade. The interest in project marketing is growing mainly due to the increasing demand for complete solutions and global offers (Grönroos, 1997); which pushed supplier firms to adapt their marketing activity and to integrate their offer in the form of packages (Ghauri, 1981), systems and/or turn-key projects (Günter & Bonnacorsi, 1996; Mattsson, 1973).

In parallel to the major research trend on relationship marketing and management (Grönroos, 1997; Gummesson, 1999), the project marketing research also emphasizes the role of relationships and networks or milieus in project marketing (Cova, Mazet, & Salle, 1996). However, as mentioned by Skaates and Tikkanen (2003:389), “*variations in project marketing relation-*

*ships and situations have not been studied systematically or in detail*”.

Our intent is to contribute towards filling this gap by investigating the issues of marketing relationships in project deals in the French construction industry. While the construction industry has long been dominated by fragmentation and adversarial relationships between the various parties involved in the supply chain (Campagnac & Winch, 1998; Guillou, Crespín-Mazet, & Salle, 2003; Hobbs & Andersen, 2001; Thompson, Cox, & Anderson, 1998), there has been increasing pressure to promote more integrated and cooperative approaches (Love, 2000). This has generated two types of suggestions (Thompson et al., 1998): firstly, the development of relational practices with an emphasis on collaboration and partnering (Baden-Hellard, 1995; Bennet & Jayes, 1995); and secondly the development of new forms of contracts (Barnes, 1996).

Since the late 1990s, several contributions acknowledge the development of relational approaches in the Anglo-Saxon construction community (Barlow & Jashapara, 1998; Bresnen & Marshall, 2000; Crane, Felder, Thompson, Thompson, & Sanders, 1997; Sai-On, Ng, Shek-Pui, & Henry, 2003; Thompson & Sanders, 1998). However, little research has been done on the subject in the French construction industry. Our intent is therefore

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to investigate whether this increasing trend towards cooperative and relational approaches also holds true in the French construction industry and if yes, analyze its patterns of development.

The objective is to investigate contractors' proactive marketing strategies to co-develop the project with the buyer and/or other actors in the project network. In this case, the contractor is involved both in the design stage and the realization stage. Co-development is hereby presented as a relational approach emphasizing the early cooperation between the supplier and the buyer. We believe that the novelty of this research lies in the fact that we are analyzing relational approaches between buyers and sellers having discontinuous exchanges (see in particular Hadjikhani, 1996; Seshadri & Mishra, 2004), while the majority of contributions on relationship marketing deals with buyer–supplier relationships having regular, continuous exchanges over a considerable period of time. Discontinuity is the key feature that distinguishes project marketing from other types of business-to-business marketing (Cova & Ghauri, 1996; Tikkanen, 1998). It often leads to a lack of bonding, dependence and mutual orientation between actors beyond the single project (Skaates, Tikkanen, & Lindblom, 2002). Our research thus explores the idea of “contractual relations” in project exchange (Seshadri & Mishra, 2004). It focuses on the level of individual projects (Alajoutsijarvi, 1996) thus excluding contractual forms such as, consortiums, framework agreements or formal alliances.

## 2. Research problem

Traditionally projects are considered to follow chronological stages starting from the identification of a need to the handing over of the completed work (Cova, Ghauri, & Salle, 2002; Holstius & Cova, 1990). This traditional approach to project bidding describes a proactive customer and a reactive supplier (Cova, Mazet, & Salle, 1994; Mazet, 1992). The customer carries out a feasibility study, writes specifications, defines a budget and launches a call for tender. In this case, the contractor is often placed in the position of submission. This is particularly true in the construction industry where the process is fragmented into several distinct phases (Campagnac & Winch, 1998; Hobbs & Andersen, 2001). The traditional organization of the construction process is thus very sequential with a clear separation of roles between the actors involved at each phase.

This fragmentation between multiple actors and phases, the one-off nature of relationship and the predominance of lowest price procurement strategies raise some difficulties in applying the traditional sequential project management techniques (Benham, 1997; Campagnac & Winch, 1998). As a consequence, the construction industry has mostly been dominated by adversarial relationships between the various parties involved in the supply chain. As mentioned by Guillou et al. (2003: 65): “Each project being specific, contractors focus on winning the bid even if this means adopting win–lose relationships with other actors”.

Our research problem aims at analyzing the contractor's attempt to promote co-constructing the project with the buyer or the project network instead of simply reacting to pre-defined

specifications. The project marketing literature has identified several postures to describe the way suppliers develop their offer: A purely reactive and adaptive approach is also called *deterministic posture* (Cova & Hoskins, 1997) whereby the supplier accepts the rules of the milieu in meeting the demands of a specific customer (Cova, 1989; Marsh, 1987; Skaates & Tikkanen, 2003; Stewart & Stewart, 1984). In the *control posture*, the supplier tries to maintain as much control as possible of the system dynamics. This may involve the development of creative offer strategies (Dessinges, 1990; Marsh, 1987), whereby the supplier finalizes a production procedure of projects and tries to find customers afterwards. In the *constructivist posture*, the supplier becomes actively involved in shaping the demands, rules and representations. The supplier and the customer are interactive in developing the project: the project offer is the outcome of their process of interaction (Håkansson, 1987). We follow the constructivist posture as it fits well with our research objectives.

In this context, the main research question can be formulated as: “Under which conditions are project co-development strategies considered a viable strategic alternative to traditional competitive bidding?”. This will lead us to investigate the conditions for acceptance of co-development by the customer and the conditions under which contractors should offer to co-develop the project in the construction industry.

## 3. Literature review

This section includes insights from various streams of research such as; project marketing and systems selling (Cova et al., 2002; Cova et al., 1994; Dubois & Gadde, 2000; Hobbs & Andersen, 2001), relationship marketing (Gummesson, 1990, 1991; Grönroos, 2000); incomplete contract theory (North, 1996), the marketing and management of innovative projects literature (Akrich, Callon & Latour 1988; Millier, 1999) and the literature on partnering in the construction industry (Barlow & Jashapara, 1998; Bresnen & Marshall, 2002; Sai-On et al., 2003; Scott, 2001; Turner & Simister, 2001).

### 3.1. Project characteristics

Three characteristics of projects are often outlined in the literature as key criteria for choosing a contract design which is more or less favourable to cooperation with a contractor in the design stage: project uncertainty, project complexity, and project stakes. The relevance of the concept of uncertainty to analyze the customer's choice of a contract design has already been shown both by institutional economics (North, 1996; Williamson, 1985) and by business-to business marketing scholars (Håkansson, Johanson & Wootz, 1977). In the project marketing literature, uncertainty mostly refers to the project (Barlow & Jashapara, 1998; Cova et al., 2002; Smyth, 2000; Turner & Simister, 2001). For the customer, the uncertainties are connected with the development of specifications, with the transaction method and with the supplier's ability to carry the project through a successful conclusion (Cova et al., 2002; Smyth, 2000). According to Turner and Simister (2001), this

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